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SUBJECT: NAS MONTHLY REPORT FOR MAY 2008

(U) Summary:

- President Garcia visited Tocache and Santa Lucia Base in a show of support for an area becoming known as the Tocache Miracle.
- 700 December 2007 graduates of the NAS/PNP Academies finished 4 months of additional specialized training.
- The completion of the Tingo Maria Staging Base has been delayed by weather and other issues but eradication operations will begin in the Sendero Luminoso (SL) stronghold of Aucuyacu on August 1.
- Another Upper Huallaga SL leader was killed in a confrontation with an army patrol May 18.
- Eradication statistics were up to 4,372 by the end of the month.
- The ILEA-RTC Memorandum of Understanding was signed by the Ambassador and Foreign Minister.
- An agreement was finally signed between warring ministries on building a chemical data base that will help implement the Chemical Control Law.
- The DIRANDRO Chemical group supported by NAS and DEA seized tons of precursor chemicals during the month in the drug production zones.
- A damaged NAS helicopter is currently awaiting transport to the US for repairs or rebuild.
- NAS is providing support for MAAG refueling efforts during the Nuevo Horizontes Exercise
- NAS continues preparations for PNP Guest Instructor Pilot's assignment to Columbia flight school at Melgar.
- Drug destruction and seizure record for May.
- Peruvian Customs (SUNAT) cocaine seizures during May.
- PNP Chemical Group interdiction and seizures in May.
- NAS funding national money-laundering diagnostic.
- Ayacucho Youth Project showing tangible results in local communities. End Summary.

PRESIDENT GARCIA VISITS SANTA LUCIA/TOCACHE AREA

1. (U) On May 21, President Garcia, DIRANDRO Gen. Hidalgo, Huallaga Front Gen. Palomino, San Martin's Regional President and Congressional representatives visited the Santa Lucia PNP base where they were briefed on ongoing interdiction and eradication strategies in the UHV. The delegation continued on to Tocache and Polvora. The visit was important because until recently these towns were bastions of illegal coca production in the UHV and considered too dangerous to visit.

Interestingly, the last President who visited the Tocache area was President Garcia himself in 1989. His trip may have been motivated by an editorial in the previous Sunday, *El Comercio* that lauded the achievements of eradication and alternative development in the San Martin province (the Tocache Miracle as journalists are calling the area). The President promised the GOP would finish asphaltting the Fernando Belaunde Terry road and electrification projects both important steps in consolidating state presence in the region.

GRADUATION FROM SPECIAL OPERATIONS COURSES

¶2. (U) Santa Lucia and Mazamari Police Training Academies concluded specialized training of around 700 police who were inducted late and had graduated early (in December 2007) thereby ensuring an annual schedule. The extra 4 months of training they received in jungle operations, intelligence and other tactics to fight narco-trafficking will provide the new police with equivalent skills to previous classes. On May 6, NAS Director Keogh and PNP Director Salazar attended the passing out ceremonies in both Academies, along with large numbers of proud family members.

DELAY IN COMPLETING TINGO MARIA FORWARD OPERATING LOCATION

¶3. (SBU) Preparations continue at the staging base at Tingo Maria for eradication operations that are expected to start in Aucuyacu, southern San Martin, on August 1. The significant delay from the planned start date in May was caused by weather and other impediments such as insufficient intelligence and interdiction activity in an area where the police expect strong opposition to eradication (publicly announced by the Minister of Interior and DirGen of the PNP) from local cocalero organizations and narco-terrorists. On May 27, the PNP moved 5 armored vehicles to the area for use during operations. Interdiction operations in the Aucayacu area are beginning shortly. Approximately 300 DIRANDRO PNP police from the Santa Lucia PNP base will be deployed in support of the eradication plan, including recent graduates from the NAS-PNP Academies.

SENDERO LEADER KILLED NEAR MONZON

¶4. (SBU) During a late-night confrontation between an army (EP) patrol and a Sendero Luminoso (SL) column on May 18 in the township of Sachavaca, near Monzon, the second-in-command of SL Upper Huallaga known as Piero or Lee was killed (according to a radio intercept). Blood was found at the scene the next day, along with assault weapons, but no body. Piero was the personal representative of SL UHV leader Artemio with narco-traffickers and was believed to be responsible for ambush that killed police and a fiscal in Tocache in June 2007. This most recent setback to the SL UHV may further reduce its ability to organize and conduct attacks at a time when eradication is about to start in its Aucuyacu stronghold; however, high security alert will be maintained.

MAY ERADICATION UPDATE/PLANS FOR JUNE

¶5. (SBU) By the end of May, CORAH had eradicated a total of 4,372 hectares of illegal coca, 48 percent of which was replanted coca. In early June, CORAH will focus on the areas closest to the Santa Lucia Base and then move into the Sion area. Following the completion of these areas, in coordination with USAID, CORAH will move south to the Yanajanca area (see para 3). Currently, NAS is working to have MI-17 support for these missions to save UH-2H helicopter hours. Adverse weather conditions impacted April productivity. However, this month, by working in the Uchiza and Tocache Districts in San Martin, CORAH picked up the tempo and current results are now back in line with yearly goals. By re-programming funds, CORAH will now be able to

hire 40 additional eradicators per month for the rest of the year, excluding December.

ILEA-RTC MOU SIGNED

¶6. (U) In a positive development, on May 8, Ambassador McKinley and Foreign Minister Belaunde signed a Memorandum of Understanding formally establishing a Regional Training Center (RTC) in Lima under the auspices of the International Law Enforcement Academy (ILEA) El Salvador. The Center is expected to expand to become the law enforcement RTC for the Southern Cone and Andean regions. Lima's objectives are to provide the forum and the space bringing together officials from the different regions of South America so as to provide professional training, technical assistance and information exchanges. The primary target audience is police, prosecutors, judges and others involved in law enforcement efforts. During the pilot project period, January 2006 until May 2008, fifteen courses have been given at the ILEA RTC Lima attended by law enforcement officials from Argentina, Bolivia, Brazil, Chile, Columbia, Ecuador, and Paraguay. Course topics included trafficking in persons, drug enforcement, money laundering, intellectual property rights, enforcement of environmental laws, and combating terrorism. Future courses will continue these themes as well as other themes as proposed by the PNP hosts.

AGREEMENT ON CHEMICAL REGISTRY SIGNED

¶7. (SBU) In another positive development in early May, the Ministry of Production and SUNAT (Customs and Excise) finalized a cooperative agreement, now in force, on building a pre-cursor chemical registry. The Precursor Chemical law was passed by the Peruvian Congress in 2004, but a long fight developed between the Ministries of Interior and Production, and then with SUNAT, regarding who had the lead in developing the implementing mechanisms such as a data base on legal chemical use. NAS is now compiling the results of a site survey on where 190 computers are to be installed and is helping develop a plan for connectivity.

NAS/DEA/PNP CHEMICAL GROUP SEIZURES

¶8. (SBU) On May 1, the PNP Chemical Group (PNPCG) interdicted 4 vehicles in the vicinity of Huipoca and San Juan transporting approximately 6 metric tons of sulfuric acid destined for the Upper Huallaga Valley cocaine production zone - Peruvian black market value (PBMV) of 120,000 USD. Five Peruvian nationals were arrested and charged with trafficking in controlled precursor chemicals. On the same day, in the district of Villa Rica, the PNPCG seized 4 metric tons of muriatic acid - PBMV of 13,800 USD; 140 kilos of acetone - PBMV of 7,000 USD; 3 kilos of potassium permanganate; and a 1990 Volvo F-12 Intercooler Turbo Cargo Truck - estimated value of 80,000 USD. On May 26, in the vicinity of Tingo Maria, PNPCG seized two metric tons of sulfuric acid - PBMV of 40,000 USAD; 300 kilograms of muriatic acid and 900 gallons of kerosene from 11 abandoned laboratories. In May, the PNP seized and destroyed a total of 184,678 kilos of chemical precursors.

NAS SUPPORT FOR MAAG "NUEVOS HORIZONTES" EXERCISE

¶9. (U) Due to recent implementing legislation on Pre-Cursor Chemicals that included the control of kerosene and jet fuel - key ingredients for drug production - the Military Assistance Group (MAAG) was unable to obtain permission in time to buy and transport the fuel required in support of Exercise New Horizons. NAS assisted in providing refueling for four CH-47s. All incurred expenses will be reimbursed by MAAG.

DAMAGED HELICOPTER AWAITING TRANSPORT TO US

¶10. (U) Helicopter PNP-347 (UH-2), damaged during a routine training flight landing at Santa Lucia, has been transported to Pucallpa by truck and is awaiting transport to the US for rebuild or repair. Currently, the Bolivian/NAS C1-30 is expected to transport the helicopter to the US and then back to Bolivia once repairs are completed.

AVIATION OPS OFFICER AND PNP GUEST INSTRUCTOR
PILOT (IP) VISIT FLIGHT SCHOOL AT MELGAR

¶11. (U) NAS Aviation Operations Officer and the PNP Guest Instructor Pilot visited Columbia to coordinate final administrative details. NAS remains optimistic that he will be able begin his flight instruction duties by the end of June. Additionally, in July, as part of the Regional Concept, two PNP student pilots are scheduled to attend the Initial Entry Rotary Wing (IERW) school at Melgar. They will be the first students sent to Columbia for helicopter training. Though the financial future of the school is unknown at this time, NAS will continue to rely on the Melgar facility as budget restraints make Fort Rucker or a civilian flight school in the U.S. unrealistic. MAAG also supports the Melgar school and DOS/Air Wing has recently donated 15 UH-1 helicopters to the school.

NIGHT VISION GOGGLE (NVG) FLIGHT CONDUCTED IN PALMA PAMPA

¶12. (SBU) A PNP platoon was sent to patrol the Palma Pampa area (VRAE) after a U.S. security report indicated that an estimated 60 Sendero Luminoso had moved into the small town next to the base. A helicopter flight crew using NVGs provided air support to the patrol in order to give early warning and deter attack. Though no contact was made by the patrol, the base remained on high alert.

DIRANDRO DRUG DESTRUCTION AND SEIZURE RECORD FOR MAY

¶13. (U) In May, DIRANDRO destroyed 448 cocaine base and 10 HCl cocaine laboratories. They seized a total of 9.5 metric tons of drugs (includes cocaine, marihuana, and heroin). Despite increased presence of SL narco-terrorists in the VRAE, the PNP at Palma Pampa conducted approximately 68 interdictions and destroyed 101 laboratories during the month of May. In response to the increased threat, the PNP's security posture is at its highest in order to ensure appropriate security for personnel involved in intelligence and operational tasks in the VRAE.

PERUVIAN CUSTOMS (SUNAT) COCAINE SEIZURES AT AIRPORT

¶14. (U) During the month of May, SUNAT and the Peruvian Post Office (SERPOST) seized 132.92 kilos of cocaine. Nineteen internal carriers (mules), each carrying an average of 900 grams of cocaine, were apprehended, largely using the NAS-provided Body Scanner X-Ray Machine. Additionally, SUNAT/PNP conducted 43 narcotic interdictions resulting in the seizure of 128.606 kilos of cocaine.

SUNAT CANINE PROGRAM

¶15. (SBU) Since the initiation of the NAS canine program in April 2006, SUNAT has seized well over 15 metric tons of cocaine. The institutionalization of a Peruvian canine school is the final step in formalizing this highly successful SUNAT/NAS program. In May, NAS sent three SUNAT architects and engineers to the USCBP Canine Center in Front Royal, Virginia. The participants, training will help SUNAT create a national canine academy in Lima. Beginning in June, and continuing through to October, 10 more SUNAT handlers and 15 Narcotics Detection K9s will be trained in Colombia by USCBP K9 trainers resulting in a doubling of the SUNAT canine force by the end of 2008. Additionally, Colombian

Anti-Narcotics Police will participate in this training as observers. NAS anticipates a dramatic increase in port seizures once the SUNAT K9 force is fully functional.

PERUVIAN PORT FACILITY INSPECTION

¶16. (SBU) The U.S. Coast Guard International Ship and Port Facility (ISPS) Code inspection for Peru will begin mid-June. During the month of May, in preparation for this inspection, NAS sponsored a ship/Port Facility/vessel training and certification course in the U.S. which was attended by the General Manager and Chief of Security of the Peruvian National Port Authority, several Port Directors and NAS personnel. NOTE: The ISPS inspection certifies Peruvian Ports that send ships and cargo to US ports.

MONEY LAUNDERING ISSUES

¶17. (U) In conjunction with DEVIDA, GOP's drug policy office, NAS sponsored a grant to one of the country's leading economic consultants, MacroConsult, to prepare a National Money Laundering Diagnostic, to be delivered in October 2008. The objective of the study is to understand how money laundering is conducted in Peru and the effectiveness of the GOP's efforts in address the problem. The study will also lay out a list of recommendations for the GOP to better combat money laundering in and through Peru. Financial Intelligence Unit (now part of the Banking Superintendency) Deputy Sylvia Yuan briefed the Congress that money laundering and financial support for terrorism has reached nearly 2 billion USD four times the figure often cited by the GOP.

Ayacucho Youth Project - Progress

¶18. (U) CEDRO, the NGO managing the Ayacucho Youth Project "Towards a Culture of Lawfulness" has signed 22 agreements with local governments, the private sector and other institutions to foster productive and cultural activities among vulnerable youth groups. Several municipalities, including the capital Ayacucho, have provided the project with locations for activities. The Mayor is collaborating on activities related to the recovery of the city's historical sites. The private sector micro-finance NGO "Finca" will give micro-credits to several youth groups interested in productive market-oriented activities. A top Peruvian company, AJE, has agreed to give young farmers from Huanta, one of the areas of highest youth involvement in coca cultivation and drug trafficking, an opportunity to grow peaches which AJE will then buy for their fruit based products. Additionally, CEDRO has organized more than 100 workshops and publicity events attracting greater numbers of young people to join the project.
MCKINLEY